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Subject: Commercial Real Estate Lending

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Proposal:	Interagency Guidance on Commercial Real Estate Lending
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Name:	James T Roland
Affiliation:	Fulton Financial Corporation
Category of Affiliation:	Other
Address:	P.O. Box 4887
City:	Lancaster
State:	PA
Country:	UNITED STATES
Zip:	17604
PostalCode:	n/a

Comments:
April 12, 2006
Jennifer J. Johnson Secretary Board of Governors of the Federal Reserve System 20th Street and Constitution Avenue NW Washington DC 20551
Re: Proposed Guidance Commercial Real Estate Lending Ladies and Gentlemen: I would like to comment on the Proposed Guidance on Commercial Real Estate Lending (CRE).
While the financial institution for which I am employed is a multi-bank holding company operating in five states, we are, in essence, an affiliation of community banks serving local communites. Certainly anyone that is aware of community banking knows real estate lending is an important part of what many community banks do, our institution included. As such, any proposals would certainly be important to our affiliate banks and potentially to the communities in which they lend. My concerns about the Proposed Guidance, to a certain extent, are similar to others expressed. But before expressing those, let me say that the Proposed Guidance has resulted in an increased amount of beneficial discussion within our organization with respect to the vulnerability of our commercial real estate portfolio to the cyclical real estate markets. Additional monitoring is necessary but to the extent proposed in the Proposed Guidance? There are some concerns with the Proposed Guidance as indicated above. First, financial institutions are subject to increasing layers of regulatory burden requiring ever increasing additional systems and reporting to do so. The cost of compliance is increasingly beyond many smaller banks ability to pay and is a significant expense for an organization of our size. Additionally the Proposed Guidance includes all types of real estate lumped together. There are differing levels of risk in the various types of real estate loans and there are differing levels of risk in how a real estate loan, or any other loan, is under written. Moreover, our loss numbers have been as good as they have been over the years, not only because of quality

underwriting but also because in those cases when borrowers did default, we many times had real estate to liquidate. It would also be helpful to provide some background material on the determination of the 100% and 300% thresholds. Were other percentages considered? How were these determined? We have two banks in excess of the concentration thresholds and if we ask them to be more selective or reduce their exposure, this has important considerations for those banks and their communities. I would ask that you would spend some additional time considering all of the comments received and work with industry leaders to address these concerns. Thank you for your consideration.

Sincerely, James T. Roland Executive Vice President Chief Credit and Policy Officer Fulton Financial Corporation Lancaster PA 17604